



PRESS RELEASE

Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

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Subway Franchise Managers and Gas Station Manager Plead Guilty to Filing False Tax Returns

Two Subway franchise managers and a gas station manager, all residents of Virginia, pleaded guilty today to aiding and assisting in the filing of false tax returns, announced Acting Assistant Attorney General Caroline D. Ciruolo of the Justice Department's Tax Division and U.S. Attorney Dana J. Boente of the Eastern District of Virginia.

According to court documents, Mohammed Ali, 54, of Herndon, Virginia, owned and operated multiple Subway restaurant franchises in Washington, D.C. and Arlington, Virginia, with Obdayel Hoque, 49, of Alexandria, Virginia. Ali ran the day-to-day operations of the Subway franchises located on 10th Street North, Arlington, and Pennsylvania Avenue, SE, Washington, D.C. These franchises were operated under the name Subway Sandwich & Salad, Inc. Mohammed Rahman, 43, of Alexandria and Arlington, was a working partner with Ali and Hoque and the day-to-day manager of a Subway franchise located on 7th Street, NW, Washington, D.C. This Subway franchise was operated under the name 7th Street Sub Shop LLC. Mohammed Siddique, 53, of Alexandria, was a working partner with Hoque and the day-to-day manager of a gas station in Alexandria called Skyhill Shell.

"Today's guilty pleas send a clear message that business owners and operators who seek to evade their tax obligations and avoid paying their fair share will be held accountable," said Acting Assistant Attorney General Ciruolo. "Individuals engaged in this criminal conduct will face prosecution and substantial penalties, including incarceration."

"Individuals who provide false information for the preparation of fraudulent corporate tax returns will be caught and held responsible," said U.S. Attorney Boente. "The guilty pleas today represent exactly that. My thanks to our partners at IRS-Criminal Investigations for their efforts on this case."

As part of their guilty pleas, Ali, Rahman and Siddique admitted that at Hoque's direction they did not deposit all of the Subway franchises' or the gas station's gross receipts into the corporate or partnership bank accounts. Instead, Hoque, Ali, Rahman and Siddique retained a portion of the gross receipts for their personal benefit. Ali, Rahman and Siddique maintained detailed records of the Subway franchises' and gas station's total sales, the amounts deposited into the bank accounts and the amounts distributed to each of them for their personal benefit. Ali and Rahman admitted that, at Hoque's direction, they destroyed these records.

Ali, Rahman and Siddique further admitted that they were directed by Hoque to provide false information about the Subway franchises' and gas station's gross receipts to the accounting firm that prepared corporate and partnership tax returns for the businesses. For the period of 2008 through 2013, point of sales records for the Subway Sandwich and Salad franchises reflected total sales of \$6,439,832. However, Ali provided false monthly sales figures to the accounting firm to prepare Subway Sandwich and Salad's corporate tax returns. As a result, Ali caused false corporate tax returns to be filed with the Internal Revenue Service (IRS) for Subway Sandwich and Salad, which reported sales of only \$3,749,142. For the period of 2008 through 2013, point of sales records for the 7th Street Sub Shop franchise reflected total sales of \$4,949,266. However, Rahman provided false monthly sales figures to the accounting firm to prepare 7th Street Sub Shop's partnership tax returns. As a result, Rahman caused false partnership tax returns to be filed for 7th Street Sub Shop, which reported sales of only \$3,193,212. For the period 2008 through 2012, Siddique provided false monthly sales figures to the accounting firm to prepare Skyhill Shell's corporate tax returns. As a result, Siddique caused false corporate tax returns to be filed for Skyhill Shell for 2008 and 2009, which failed to report at least \$572,000 of net income from the business. Skyhill Shell failed to file corporate tax returns for 2010, 2011, and 2012.

Ali, Rahman and Siddique admitted that they failed to report to the IRS on their individual income tax returns their receipt of unreported gross receipts. Ali admitted that his conduct caused a tax loss of more than \$550,000 but less than \$1.5 million. Rahman admitted that his conduct caused a tax loss of more than \$250,000 but less than \$550,000. Siddique admitted that his conduct caused a tax loss of more than \$100,000 but less than \$250,000.

Hoque pleaded guilty on Jan. 27 to conspiracy to defraud the United States and admitted that his conduct caused a tax loss to the IRS of between \$1.5 million and \$3.5 million. Hoque is scheduled to be sentenced on May 13.

Rahman, Ali and Siddique each face a statutory maximum sentence of three years in prison and a \$250,000 fine. As part of their plea agreements, Rahman, Ali and Siddique agreed to pay restitution to the IRS for their personal tax liabilities. U.S. District Judge Liam O'Grady set sentencing for July 15.

Acting Assistant Attorney General Ciraolo and U.S. Attorney Boente thanked special agents of IRS-Criminal Investigation, who investigated the case and Assistant Chief Caryn Finley and Trial Attorney Kimberly Shartar of the Tax Division, and Assistant U.S. Attorney Uzo Asonye of the Eastern District of Virginia, who prosecuted the case.

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